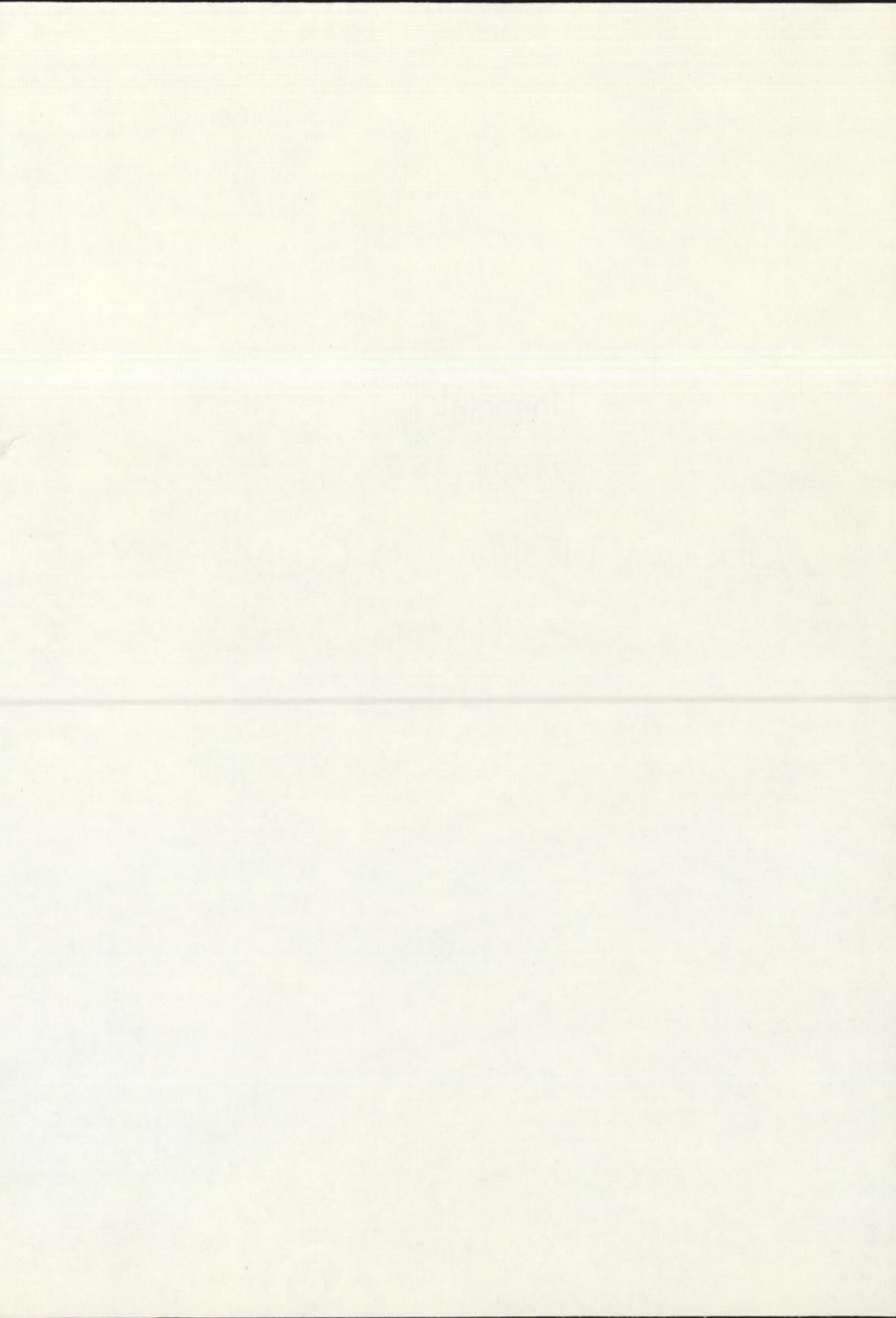


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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 27, 1956



OFFICERS

H. H. Corey	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	President
R. D. Arney	-	-	-	-	-	Vice President
Park Dougherty	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	Vice President
R. D. Gower	-	-	-	-	-	Vice President and Controllor
T. H. Hocker	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	Vice President
A. E. Larkin	-	-	-	-	-	Vice President
Clarence A. Nockleby	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	Vice President
Fayette Sherman	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	Treasurer
I. J. Holton	-	-	-	-	-	Secretary
R. C. Dougherty	-	-	-	-	-	Assistant Secretary
R. H. Biedermann	-	-	-	-	-	Assistant Controllor
E. H. Larson	-	-	-	-	-	Assistant Controllor



DIRECTORS

R. S. Banfield
H. H. Corey
Park Dougherty
R. D. Gower
R. F. Gray
T. H. Hocker
A. E. Larkin
Clarence A. Nockleby
J. L. Olson
Geo. W. Ryan
Fayette Sherman
M. B. Thompson

Austin, Minnesota
December 3, 1956

To the Stockholders of
Geo. A. Hormel & Company

The financial report of your company for the fiscal year which ended October 27, 1956, is submitted herewith.

For the second successive year, the sales tonnage exceeded one billion pounds and attained a new all-time high of 1,156,641,228 pounds. This tonnage constitutes an increase over a year ago. It is the tenth consecutive year in which sales volume has increased.

Net dollar sales for the year were \$319,280,650, a decrease of 5.1% under last year. This decrease was attributable to average lower prices of products, particularly on some of the major processed items and primal cuts.

After allowing for all taxes of \$6,286,327, net earnings for the year were \$5,126,072. Of this sum, \$5,039,348 are applicable to common stock, or \$9.85 per share.

These earnings and a continuing large volume of business are encouraging and appear to justify the constant expansion and capital expenditure for buildings and facilities over the years. The working capital of the company increased to \$23,460,975. The sum of cash, government securities and accounts receivable exceeded the total of all current liabilities. This strong working capital position is deemed advisable to permit financing of essential structural and mechanical installations and improvements, some of which have been started during the year and others of which will be commenced within the coming year. The company thus can further its plant modernization and expansion program. We acquired and expanded our plants at Fremont, Nebraska, and Fort Dodge, Iowa, as a part of that program. These plants are fully justifying the capital investments made in them and contributed materially to our favorable showing this year.

The net profit per dollar of sales still continues low as compared to other industries, amounting to 1.6¢ per dollar of sales and only 44¢ per hundred-weight of product sold.

We continue to price our inventory at the lower of cost or market.

The joint earnings distribution for eligible employees was \$2,591,362, or 3.417 checks, based on a 40 hour week.

This year's contribution to the Hormel Employees' Profit-Sharing Trust, established in 1944 to provide retirement benefits for employees, amounted to \$2,541,229.

Pursuant to Union contracts with our employees and consistent with the industry pattern, a general wage increase of 10¢ an hour became effective on October 1, 1956. It is estimated that these adjustments and fringe benefits will add approximately \$3,000,000 annually to the company pay roll. As a further result of industry settlement, additional increases of 7½¢ an hour are to become effective on September 1, 1957, and September 1, 1958.

As in 1955, the company made an advance payment of \$1,200,000 on its long term loan. This payment reduced the balance on the term loan to \$9,600,000 with no payment due until November 15, 1957. In view of the tight money situation now prevailing, this term loan made in 1954 seems very advantageous.

During the year, negotiations were completed with Burns & Co., Ltd., a leading Canadian packer, whereby we have authorized that concern to manufacture and distribute SPAM in Canada under our specifications on a royalty basis. High tariffs made it costly to sell American-made SPAM in that country. We have every reason to believe that the Burns & Co., Ltd. arrangement will prove to be a beneficial one. A similar arrangement, entered into in 1954 with Lunham Brothers, Ltd., in Cork, Ireland, for the manufacture and the distribution of SPAM in Great Britain and a part of Europe, has progressed very satisfactorily. Under a cooperative manufacturing agreement with a processor in Boston, Massachusetts, that company is producing several packing house products under our specifications. By so doing we are able to serve our customers in the New England area more adequately.

A new unit of the company was established during the year—the Experimental and Development Division. Its function is to maintain a planned program of research and experimentation in developing new products and improving old products. It also has the responsibility of effecting better methods of manufacturing and packaging of products.

The company is continuing an effective national, sectional and local advertising program on a selected basis.

Your company starts the new fiscal year with complete confidence in the future of the business and the industry and with the full expectation of materially increasing the production and sale of its products to a constantly enlarging population, estimated to be growing in this country at the rate of two and three-quarter million persons per year. Your company and the industry supply the most important of all food items—meat. It is one of the oldest and most essential industries in the country. Despite the currently estimated decrease in hog supplies for the coming year, we feel that producers will make available sufficient slaughter livestock for the continued growth of your company and the industry.

M. F. Dugan, treasurer and director of the company for many years, and an employee for 50 years, retired in January of 1956. He continues as a member of The Hormel Foundation. Paul C. Knopf, assistant treasurer of the company, also employed for 50 years, retired at the end of the year.

We appreciate the fine cooperation and support received throughout the year not only from company employees but also from our customers, our livestock producers and our stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

Geo. A. Hormel & Comp

Statement of Financial Position

October 27, 1956

CURRENT ASSETS

Cash -----	\$ 8,148,292
United States Government Securities—at cost which approximates market -----	10,085,000
Accounts receivable, less allowance of \$100,000 -----	12,058,345
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market -----	16,760,051
Prepaid insurance and other expenses -----	161,961

Total Current Assets \$47,213,649

CURRENT LIABILITIES

Accounts payable and accrued expenses, in- cluding pay rolls, profit-sharing trust con- tribution, etc. -----	\$18,532,559
Dividends payable November 15 -----	341,369
Federal taxes on income—estimated -----	4,878,746

Total Current Liabilities 23,752,674

WORKING CAPITAL -----

\$23,460,975

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Land -----	\$ 358,627
Buildings (\$16,871,279) and equipment -----	\$35,345,218
Less allowances for depreciation -----	17,027,935
Movable equipment—inventoried at cost, less depreciation -----	770,672

19,446,582

\$42,907,557

LONG-TERM DEBT

Unsecured notes payable to banks, \$1,200,000
due annually on November 15, 1957
through 1963, and on June 30, 1964-----

9,600,000

STOCKHOLDERS' INVESTMENT (excess
of assets over liabilities)—see opposite page--

\$33,307,557

any — Austin, Minnesota

Statement of Stockholders' Investment

Fiscal Year Ended October 27, 1956

CAPITAL STOCK—no change during the year

Preferred stock, cumulative, par value

\$100 a share:

Authorized 48,935 shares

Issued and outstanding 14,454 shares —

Series A, 6%, callable at \$105 a share— \$ 1,445,400

Common stock, par value \$15 a share:

Authorized 600,000 shares

Issued and outstanding 511,500 shares— 7,672,500

Total at October 27, 1956 \$ 9,117,900

EARNINGS REINVESTED IN BUSINESS

(in addition to amounts transferred to

common stock)

Balance October 30, 1955 ----- \$20,429,059

Net earnings for the year ----- 5,126,072

\$25,555,131

Deduct cash dividends:

On preferred stock—

\$6.00 a share ----- \$ 86,724

On common stock—

\$2.50 a share ----- 1,278,750

1,365,474

Balance October 27, 1956 (under provisions
of long-term debt agreement \$16,005,620
not available for cash distributions on com-
mon stock) -----

24,189,657

TOTAL STOCKHOLDERS' INVESTMENT

\$33,307,557

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal Year Ended October 27, 1956

SALES (less returns and allowances) -----	\$333,035,257		
Less freight and express -----	13,754,607		
NET SALES -----			\$319,280,650
COSTS, EXPENSES AND TAXES			
Cost of products sold, selling, administrative and general expenses, exclusive of items shown separately -----	\$244,115,831		
Provision for depreciation -----	1,957,078		
Sundry charges (including interest expense of \$561,762) less sundry income ----	477,839		
Wage costs:			
Wages and salaries, including joint earnings \$	56,408,359		
Contribution to employees' profit-sharing trust -----	2,541,229		
Federal and state unemployment and old age contributions -----	917,983		
Group life, hospitalization and sick leave ----	1,449,932	61,317,503	
Taxes:			
State income, property and other taxes ----- \$	1,211,327		
Federal taxes on income — estimated -----	5,075,000	6,286,327	314,154,578
NET EARNINGS -----			<u>\$ 5,126,072</u>

FINANCIAL INFORMATION

(In thousands of dollars)

	This year (1956)	Last year (1955)	5 years ago (1951)	10 years ago (1946)
Net sales -----	\$319,281	\$336,603	\$303,607	\$126,083
Net income -----	5,126	3,821	2,411	2,541
Wage costs -----	61,318	56,210	36,879	17,743
Total taxes -----	6,286	5,395	3,613	2,560
Depreciation -----	1,957	1,869	1,826	512
Properties (net) ---	19,447	18,977	16,222	5,255
Working capital ---	23,461	21,370	15,135	11,248
Total assets -----	66,660	62,285	49,340	24,954
Stockholders'				
investment -----	33,308	29,547	24,193	16,848

*Per share earnings on
common stock ---*

\$9.85	\$7.30	\$4.54	\$5.28
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Net income to

<i>net sales -----</i>	1.6%	1.1%	.8%	2.0%
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ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the financial statements of Geo. A. Hormel & Company for the fiscal year ended October 27, 1956. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Financial Position, Earnings, and Stockholders' Investment present fairly the financial position of Geo. A. Hormel & Company at October 27, 1956, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 21, 1956

